

**CITY OF CHARLOTTE AIRPORT
AN ENTERPRISE FUND OF THE CITY OF CHARLOTTE
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010
AND INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of
City Council
Charlotte, North Carolina

We have audited the accompanying statement of net assets of the City of Charlotte Airport (the "Airport"), an enterprise fund of the City of Charlotte, North Carolina (the "City"), as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Airport management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Airport and do not purport to, and do not present fairly the financial position of the City as of June 30, 2010, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2010, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Airport taken as a whole. The Additional Information, as listed in the accompanying table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Certification of Director of Finance as listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on it.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert & Holland, L.L.P.

Raleigh, North Carolina
February 28, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Airport's (an enterprise fund of the City of Charlotte) financial statements presents a narrative overview and analysis of the Airport's financial performance for the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the Airport exceeded its liabilities at the end of 2010 by \$931.3 (net assets). Of this amount, \$253.2 (unrestricted net assets), or 27 percent, is available to support operations and capital programs.
- The overall financial position of the Airport improved in 2010 as evidenced by an increase in total net assets of \$93.5.
- The Airport continued collecting Passenger Facility Charges (PFC) during fiscal year 2010 in the amount of \$48.1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists primarily of three parts: management's discussion and analysis (this section), the financial statements, and additional information pertaining to the change in net assets for included and excluded centers as well as schedules of cash deposits and withdrawals by bond issue. The financial statement section includes notes to the financial statements that provide explanations and detailed data (pages 13-23).

The *statement of net assets* includes all of the Airport's assets and liabilities. The *statement of revenues, expenses and changes in net assets* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Airport's net assets and how they have changed. Net assets, the difference between assets and liabilities, is one way to measure the Airport's financial health or position. Over time, increases or decreases in the Airport's net assets are one indicator of whether financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE AIRPORT AS A WHOLE

Net Assets. A summary of the Airport's net assets at June 30, 2010 and 2009 is presented below:

Net Assets		
(in Millions)		
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 761.0	\$ 627.8
Capital assets	941.6	888.0
Total assets	<u>1,702.6</u>	<u>1,515.8</u>
Current liabilities	57.8	71.8
Noncurrent liabilities	713.5	606.1
Total liabilities	<u>771.3</u>	<u>677.9</u>
Net assets:		
Invested in capital assets, net of related debt	463.0	379.6
Restricted	215.1	181.7
Unrestricted	253.2	276.6
Total net assets	<u>\$ 931.3</u>	<u>\$ 837.9</u>

A primary portion of the Airport's net assets (50 percent) is comprised of its investment in capital assets (land, buildings, runways, etc.), less any related outstanding debt. These capital assets are used to provide services; therefore, they are not available for future spending.

An additional portion of the Airport's net assets (23 percent) represents resources that are subject to external restrictions. The remaining balance, \$253.2 or 27 percent, consists of unrestricted net assets that may be used to support operations and capital programs.

Restricted net assets increased by \$33.4. This is mainly due to collections of passenger facility charges, which are restricted for use on Federal Aviation Administration (FAA) approved projects.

Changes in net assets. The following table presents the Airport's changes in net assets for fiscal years ended June 30, 2010 and 2009:

Changes in Net Assets		
(in Millions)		
	<u>2010</u>	<u>2009</u>
Revenues		
Operating revenues:		
Terminal area	\$ 25.2	\$ 27.6
Airfield	9.1	9.6
Concessions	35.8	35.5
Parking	34.6	33.1
Maintenance facility	7.7	7.5
Other	21.9	24.0
Nonoperating revenue:		
Passenger facility charges	48.1	46.1
Contract facility charges	6.4	6.6
Investment earnings	6.9	17.2
Total revenues	<u>195.7</u>	<u>207.2</u>
Expenses		
Operating	95.9	94.0
Interest and other charges	29.4	47.2
Other	11.8	15.4
Total expenses	<u>137.1</u>	<u>156.6</u>
Capital contributions	<u>34.8</u>	<u>38.2</u>
Increase in net assets	<u>93.4</u>	<u>88.8</u>
Net assets – beginning	<u>837.9</u>	<u>749.1</u>
Net assets – ending	<u>\$ 931.3</u>	<u>\$ 837.9</u>

Airport operating revenues were derived primarily from the terminal area, concessions and parking (71 percent). Total revenues decreased 6 percent due to decreased investment earnings as a result of the continued downturn in the economy.

Operating expenses cover a range of areas with the largest being the terminal area. Total operating expenses remained relatively constant while interest and other charges decreased 38 percent due in part to a swap termination payment in the prior year.

User rates and fees are established to provide for operating expenses, debt service costs and adequate working capital.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Airport had \$941.6 (net of accumulated depreciation) in capital assets consisting primarily of land, buildings and runways. This amount represents a net increase of \$53.6, or 6 percent over 2009.

This year's major capital asset additions were runway improvements and business valet parking deck. At June 30, 2010, unexpended authorized capital projects totaled \$165.1. These projects are primarily for expansion and improvements. The Airport has plans to issue debt to finance these projects in addition to using resources currently available.

More detailed information about the Airport's capital assets is presented in Note 2 to the financial statements.

Long-term Debt

The Airport had \$722.4 and \$612.9 of revenue bonds outstanding at June 30, 2010 and 2009, respectively. This was an increase of \$109.5, or 18 percent from last year.

More detailed information about the Airport's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND RATES

The following economic factors impact the Airport's outlook:

- The Airport ranks as the nation's 8th busiest airport in operations, 11th in passengers and 40th in cargo.
- Airport revenues and expenses are expected to decrease 8.9 percent. This decrease is due primarily to reduced debt service requirements.
- Expansion of the Airport's East Terminal is underway. When completed, the 70,000 square foot expansion will increase terminal lobby capacity and reduce the processing time for local passengers. The project is expected to be completed in spring of 2012.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide investors and creditors with a general overview of the Airport's finances and to demonstrate the Airport's accountability. Questions concerning this report or requests for additional financial information should be directed to the City of Charlotte's Finance Department, 600 East Fourth Street, Charlotte, NC 28202-2848.

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CITY OF CHARLOTTE AIRPORT
STATEMENT OF NET ASSETS
JUNE 30, 2010
(In Thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 462,960
Receivables, net of allowance for uncollectibles of \$144-	
Accounts	21,063
Other	1,480
Total receivables	<u>22,543</u>
Due from other governmental agencies	4,520
Restricted assets-	
Cash and cash equivalents	46,506
Investments	203,746
Total restricted assets	<u>250,252</u>
Total current assets	<u>740,275</u>

Noncurrent assets:

Deferred charges	13,927
Other postemployment benefit assets	6,811
Capital assets (Note 2)-	
Land	255,206
Buildings	600,532
Runways	332,951
Other improvements	79,909
Machinery and equipment	19,896
Construction in progress	113,251
Total capital assets	<u>1,401,745</u>
Less accumulated depreciation	460,104
Total capital assets, net	<u>941,641</u>
Total noncurrent assets	<u>962,379</u>
Total assets	<u>1,702,654</u>

The notes to the financial statements are an integral part of this statement.

LIABILITIES

Current liabilities:	
Accounts payable	\$ 20,013
Deposits and retainage payable	1,730
Due to component unit	140
Current maturities of long-term liabilities	727
Current liabilities payable from restricted assets-	
Accounts payable	4,190
Deposits and retainage payable	874
Accrued interest payable	14,026
Revenue bonds payable	15,933
Arbitrage payable	206
Total current liabilities payable from restricted assets	<u>35,229</u>
Total current liabilities	<u>57,839</u>
Noncurrent liabilities (Note 3):	
Revenue bonds payable - net of deferred amounts on refunding and premiums of \$6,096	712,926
Compensated absences payable	565
Total noncurrent liabilities	<u>713,491</u>
Total liabilities	<u>771,330</u>

NET ASSETS

Invested in capital assets, net of related debt	463,022
Restricted for:	
Debt service	35,446
Passenger facility charges	161,022
Working capital	18,613
Unrestricted	<u>253,221</u>
Total net assets	<u>\$ 931,324</u>

CITY OF CHARLOTTE AIRPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

OPERATING REVENUES:

Terminal area	\$ 25,222
Airfield	9,128
Concessions	35,848
Parking	34,663
Maintenance facility	7,670
Other	<u>21,876</u>
Total operating revenues	<u>134,407</u>

OPERATING EXPENSES:

Terminal area	38,913
Services facility	10,929
Public airfield facilities	2,519
Fixed base operator area	10,258
Cargo area	936
Depreciation	<u>32,311</u>
Total operating expenses	<u>95,866</u>
Operating income	<u>38,541</u>

NONOPERATING REVENUES (EXPENSES):

Passenger facility charges	48,088
Contract facility charges	6,440
Investment earnings	6,867
Interest expense and other charges	(29,420)
Non-airline terminal revenue distribution	(11,373)
Miscellaneous	<u>(432)</u>
Total nonoperating revenues (expenses)	<u>20,170</u>
Income before contributions	58,711
CAPITAL CONTRIBUTIONS	<u>34,760</u>
Change in net assets	<u>93,471</u>
Total net assets - beginning	<u>837,853</u>
Total net assets - ending	<u>\$ 931,324</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLOTTE AIRPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 134,750
Payments to suppliers	(41,839)
Payments to other City funds for services	(8,412)
Payments to employees	(13,718)
Payments to airlines for non-airline terminal revenue distribution	(12,624)
Other receipts	<u>1,488</u>
Net cash provided by operating activities	<u>59,645</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES:**

Proceeds from capital debt	161,361
Passenger facility charges	47,586
Contract facility charges	5,933
Acquisition and construction of capital assets	(103,128)
Principal paid on capital debt	(49,755)
Interest and other charges paid on capital debt	(31,446)
Capital contributions	<u>32,990</u>
Net cash provided by capital and related financing activities	<u>63,541</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(313,538)
Proceeds from sale and maturities of investments	138,695
Interest received	<u>8,667</u>
Net cash used by investing activities	<u>(166,176)</u>
Net decrease in cash and cash equivalents	(42,990)
Cash and cash equivalents - beginning of year	<u>552,456</u>
Cash and cash equivalents - end of year	<u>\$ 509,466</u>

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CITY OF CHARLOTTE AIRPORT
STATEMENT OF CASH FLOWS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 38,541
Adjustments to reconcile operating income to net cash provided by operating activities-	
Depreciation	32,311
Other receipts	1,488
Non-airline terminal revenue distribution	(12,624)
Change in assets and liabilities-	
Decrease in receivables	343
Decrease in due from other governmental agencies	44
Decrease in other postemployment benefit assets	52
Increase in accounts payable	401
(Decrease) in deposits and retainage payable	(890)
(Decrease) in due to component unit	(59)
Increase in compensated absences payable	38
Total adjustments	<u>21,104</u>
Net cash provided by operating activities	<u>\$ 59,645</u>

NONCASH INVESTING, CAPITAL AND FINANCING

ACTIVITIES:

Proceeds from refunding bonds	\$ 70,893
Payment to refunded bond escrow agent	<u>(70,893)</u>
Net noncash investing, capital and financing activities	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Dollar Amounts in Thousands)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity

The accompanying financial statements present only the activities and resources of the City of Charlotte Airport, an enterprise fund of the City of Charlotte, North Carolina, and, accordingly, do not purport to and do not present the financial position of the City of Charlotte, North Carolina.

b. Basis of Presentation

The City of Charlotte Airport (Airport) is an enterprise fund of the City of Charlotte (City) that accounts for the operations of the Charlotte/Douglas International Airport. All assets and liabilities associated with the Airport's activities are included on the Statement of Net Assets. The Airport financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Airport has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

c. Cash and Cash Equivalents/Investments

The City maintains a cash management pool (pool) that is used by the Airport and other funds of the City. The pool facilitates disbursement and investment and maximizes investment income. Since the Airport may deposit additional amounts at any time and may withdraw funds at any time without prior notice or penalty, the pool is used essentially as a demand deposit account. Therefore, for the Statement of Net Assets and Statement of Cash Flows, pooled cash is considered cash and cash equivalents. The restricted cash and cash equivalents/investments are held by trustees as required by revenue bond covenants. All restricted money market funds are considered cash and cash equivalents. The remaining amount of restricted assets is considered investments.

Deposits

All deposits of the City are made in board-designated official depositories and are secured as required by State statutes. The City may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All of the City's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

Investments

State statute 159-30 authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; repurchase agreements having third-party safekeeping; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund. The City is not authorized to enter into reverse repurchase agreements.

The restricted investments at June 30, 2010, stated at fair value, were \$203,746 and were invested as follows: \$41,017 in U.S. Agencies, \$9,997 in Commercial Paper, and \$152,732 in NCCMT. All investments have maturities of less than one year.

Interest Rate Risk. Although the City does not have a formal investment policy, internal investment guidelines prohibit maturities longer than five years which helps manage exposure to fair value losses in rising interest rate environments.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NSRO's). Although the City had no formal policy on managing credit risk, internal investment guidelines for commercial paper require at least two ratings from either Standard & Poor's (S&P), Fitch Ratings (Fitch), or Moody's Investors Service (Moody's). As of June 30, 2010, the Airport's investments in commercial paper carried at least S&P A1, Moody's P1 or Fitch F1 ratings. The Airport's investment in the NCCMT Cash Portfolio carried a credit rating of AAAm by S&P as of June 30, 2010. The Airport's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation) are rated AAA by S&P and Aaa by Moody's.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2010, the City had no investments subject to custodial credit risk. The City had no formal policy on custodial credit risk. However, the City's internal policy limits custodial credit risk by providing that security in the collateral be delivered to a third party safekeeping bank designated by the City.

Concentration of Credit Risk. The City's informal investment policy limits the amount of commercial paper or bankers acceptances to a maximum of 25 percent of the portfolio. For commercial paper, a maximum of \$10 million may be invested in any one issuer. For bankers' acceptances, the maximum investment is limited to 10 percent of the portfolio for any one issuer.

d. Capital Assets

Capital assets are assets with an initial, individual cost of more than \$5 and are reported at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	25 years
Runways	33 years
Other Improvements	25 years
Machinery and Equipment	4-30 years

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the amount of \$1,235 for the year ended June 30, 2010.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

e. Compensated Absences

Employees earn vacation leave at the rate of 10 to 20 days per year and can accrue a maximum of 20 to 40 days, depending on length of service. Unused vacation days are payable upon termination, resignation, retirement or death.

Employees accumulate sick leave at the rate of one day per month and can accrue an unlimited number of days. Sick leave can be taken for personal illness or illness of a member of the immediate family. Sick leave is lost upon termination or resignation. However, twenty percent of outstanding sick leave, with a maximum of 43.5 days, is payable upon retirement or death.

Compensated absences payable includes accumulated unpaid vacation leave and sick leave.

f. Noncurrent Liabilities

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Bonds payable are reported net of applicable premiums or discounts and any deferred amounts on refunding. The deferred amount on refunding is the difference between the reacquisition price and the net carrying amount of the old debt. This amount is amortized as a component of interest expense, using the straight-line basis, over the life of the old debt or new debt, whichever is shorter.

g. Net Assets

Net assets are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, bond covenants, regulations of other governments or by State statute.

h. Revenues

The primary sources of revenue at the Airport are fees and charges paid by the airlines and revenues paid by concessionaires providing services to the general public. Signatory airline terminal and airfield rates and charges are governed by twenty-five or thirty year lease agreements, and concession revenues are established by leases of varying methodologies and terms. The airlines are assessed four categories of fees and charges: rent, airport services, maintenance and operation fees, and landing fees. Airline fees and charges are established at a level adequate to recover the related services and facilities costs. Concession revenues are generated either through fixed annual charges or on the basis of a percentage of sales generated by the tenants' operations.

The Airport distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Airport's principal ongoing operations. The principal operating revenues of the Airport result from exchange transactions associated with the principal activity of the Airport. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

2. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 249,730	\$ 6,772	\$ 1,296	\$ 255,206
Construction in progress	<u>214,222</u>	<u>86,787</u>	<u>187,758</u>	<u>113,251</u>
Total capital assets, not being depreciated	<u>463,952</u>	<u>93,559</u>	<u>189,054</u>	<u>368,457</u>
Capital assets, being depreciated:				
Buildings	546,732	53,800	-	600,532
Runways	221,539	111,412	-	332,951
Other improvements	64,660	15,249	-	79,909
Machinery and equipment	<u>19,623</u>	<u>1,019</u>	<u>746</u>	<u>19,896</u>
Total capital assets being depreciated	<u>852,554</u>	<u>181,480</u>	<u>746</u>	<u>1,033,288</u>
Less accumulated depreciation for:				
Buildings	311,697	20,016	-	331,713
Runways	82,664	8,023	-	90,687
Other improvements	22,477	2,768	-	25,245
Machinery and equipment	<u>11,701</u>	<u>1,504</u>	<u>746</u>	<u>12,459</u>
Total accumulated depreciation	<u>428,539</u>	<u>32,311</u>	<u>746</u>	<u>460,104</u>
Total capital assets, being depreciated, net	<u>424,015</u>	<u>149,169</u>	<u>-</u>	<u>573,184</u>
Capital assets, net	<u>\$ 887,967</u>	<u>\$ 242,728</u>	<u>\$ 189,054</u>	<u>\$ 941,641</u>

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

3. NONCURRENT LIABILITIES:

A summary of changes in noncurrent liabilities for the year ended June 30, 2010, follows by type:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds:					
1997 series	\$ 42,085	\$ -	\$ 42,085	\$ -	\$ -
1998 series, 5.6% due 2028	86,000	-	-	86,000	-
1999 series B	71,805	-	71,805	-	-
2000 series, 7.8% due 2028	34,700	-	-	34,700	-
2004 series A, 4.8% to 5.3% due 2024-2035	87,095	-	-	87,095	-
2004 series B, 4.8% to 5.3% due 2012-2024	48,465	-	-	48,465	-
2004 series C, 4.4% due 2011	5,595	-	2,740	2,855	2,855
2007 series A, 4.0% to 5.0% due 2011-2038	98,520	-	1,745	96,775	1815
2007 series B, variable rate due 2011-2038	46,825	-	885	45,940	915
2008 series D, variable rate due 2011-2035	40,585	-	245	40,340	380
2009 series B, 2.5% to 5.0% due 2011-2017	51,180	-	-	51,180	6,575
2010 series A, 2.0% to 5.5% due 2012-2040	-	130,100	-	130,100	-
2010 series B, 13% to 5.4% due 2011-2029	-	67,770	-	67,770	2,770
2010 series C, variable rate due 2011-2040	-	31,145	-	31,145	225
Total revenue bonds	612,855	229,015	119,505	722,365	15,535
Less deferred amounts on refunding	(2,341)	(1,143)	(801)	(2,683)	(269)
Plus unamortized premiums	6,545	3,244	612	9,177	667
Total bonds payable net of deferred amounts on refunding	617,059	231,116	119,316	728,859	15,933
Arbitrage	117	89	-	206	206
Compensated absences	1254	1,055	1,017	1,292	727
Total noncurrent liabilities net of deferred amounts on refunding and unamortized premium	\$ 618,430	\$ 232,260	\$ 120,333	\$ 730,357	\$ 16,866

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2011	\$ 15,535	\$ 29,349	\$ 44,884
2012	18,425	30,057	48,482
2013	19,060	29,392	48,452
2014	19,915	28,663	48,578
2015	20,675	27,916	48,591
2016-2020	90,945	127,699	218,644
2021-2025	97,895	109,618	207,513
2026-2030	253,330	69,750	323,080
2031-2035	116,840	26,219	143,059
2036-2040	69,745	6,063	75,808
	<u>\$ 722,365</u>	<u>\$ 484,726</u>	<u>\$ 1,207,091</u>

In December 1985 and May 1987, the City issued \$108,780 and \$75,880, respectively, of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport and to redeem bond anticipation notes. The 1985 bonds were advance refunded in June 1993 and replaced with 1993 Airport Refunding Revenue Bonds. The 1993 bonds were refunded in February 2009 and replaced with 2009 Airport Refunding Revenue Bonds. The 1987 bonds were refunded in June 1997 and replaced with 1997 Airport Refunding Revenue Bonds. The 1997 bonds were early extinguished on February 10, 2010 in the amount of \$38,465.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

In February 2009, the City issued \$51,180 fixed rate Airport Revenue Bonds with interest rates ranging from 2.50 to 5.00 percent to refund \$62,100 of outstanding variable rate Airport Revenue Bonds Series 1993A. The net proceeds of \$52,995 (after payment of \$941 in underwriting fees, insurance and other issuance costs) and \$14,502 in debt service funds of the 1993A bonds were used to purchase U.S. government securities and fund the debt service reserve fund for the 2009 bonds. The City completed the refunding to reduce its total debt service payments over a period of eight years by \$38,877 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$35,620.

In June 1987 and December 1988, the City issued \$67,000 and \$19,762, respectively, of Airport Special Facility Revenue Bonds to finance the construction of an aircraft hangar, a ground services equipment building and other facilities to be leased to US Airways Group, Inc. The 1987 and 1988 bonds were refunded in March 1998 and replaced with \$66,300 of 1998 Airport Refunding Revenue Bonds. The March 1998 issue also included an additional \$19,700 of Airport Special Facility Revenue Bonds for improvements of other airport facilities to be leased to US Airways Group, Inc.

In December 1999, the City issued \$191,060 of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport. Of the \$191,060 revenue bonds, \$102,255 had fixed interest rates and \$88,805 had variable interest rates. In August 2007, the City issued \$99,995 of fixed rate Airport Revenue Bonds with an average interest rate of 4.82 percent to advance refund \$7,950 of outstanding Airport Revenue Bonds Series 1999A with an average interest rate of 5.75 percent.

In November 2008, the City issued \$24,480 variable rate Airport Revenue Bonds to refund \$28,805 of outstanding variable rate Airport Revenue Bonds Series 1999D. The net proceeds of \$24,258 and \$6,439 in debt service reserve funds of the 1999D bonds were used to purchase U.S. government securities and fund the debt service reserve fund for the 2008 bonds. The City completed the refunding to reduce its total debt service payments over a period of 21 years by \$26,683 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$19,310.

In February 2010, the City issued \$197,870 fixed rate Airport Revenue bonds with interest rates ranging from 1.25 to 5.50 percent to refund \$69,750 of outstanding Airport Revenue Bonds, Series 1999B. The net proceeds of \$199,074 (after payment of \$2,039 in underwriting fees, insurance and other issue costs) were used to purchase U.S. government securities, acquire and construct certain improvements to the Airport, and fund the debt service reserve fund for the 2010 bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,143. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2029 using the effective-interest method. The City completed the refunding to reduce its total debt service payments over a period of 19 years by \$7,105 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,645.

In September 2000, the City issued \$34,700 of Airport Special Facility Revenue Bonds to finance the design, acquisition, construction and equipping of certain Airport related facilities to be leased to US Airways Group, Inc.

In September 2004, the City issued \$166,935 of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport. Of the \$166,935 revenue bonds, \$150,775 had fixed interest rates and \$16,160 had variable interest rates.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

In November 2008, the City issued \$16,105 variable rate Airport Revenue Bonds to refund \$14,845 of outstanding variable rate Airport Revenue Bonds Series 2004D. The net proceeds of \$15,958 and \$125 in debt service funds of the 2004D bonds were used to purchase U.S. government securities and fund the debt service reserve fund for the 2008 bonds. The City completed the refunding to reduce its total debt service payments over a period of 26 years by \$11,646 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$8,190.

Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions.

The Airport Special Facility Revenue Bonds are payable solely from and secured solely by a pledge of debt service rentals pursuant to a Special Facility Lease (Lease) agreement with US Airways Group, Inc.

The Revenue and Special Facility Revenue Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Order or Lease. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Revenue Bond Order or Lease.

The Revenue Bond Order provided for the establishment of a special fund designated the Revenue Fund into which the City is required to deposit most Airport revenues upon receipt. Moneys on deposit in this fund will be applied at such times and in accordance with the priorities established by the Revenue Bond Order. Moneys in the Revenue Fund are required to be transferred to the following funds, established pursuant to the Revenue Bond Order, in the following order of priority: the Operating Fund, the Revenue Bond Fund and the Renewal and Improvement Fund.

The principal and interest on the Revenue Bonds are payable from net revenues of the Airport. Pursuant to the Revenue Bond Order, the City has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and to revise such rates, fees, rentals and charges as often as necessary to produce revenues at least equal to the amounts required to be transferred to the funds indicated above plus an amount sufficient to have on deposit in the Revenue Fund, as of the first business day of the next fiscal year, an amount equal to the Coverage factor for the preceding fiscal year. The Coverage factor is equal to 25 percent of the amounts required to be deposited to the Revenue Bond Fund for the principal and interest payments for the fiscal year. In addition, the Revenue Bond Order provided for the establishment of the following reserves:

- (1) In the Revenue Bond Fund an amount equal to the maximum principal and interest requirements for the Revenue Bonds for any current or succeeding fiscal year, \$25,140 in 2010.
- (2) In the Operating Fund an amount equal to one-third of the annual budget for current expenses, \$17,113 in 2010.

4. LEASE AGREEMENTS:

Airport facilities are leased primarily to the signatory airlines under agreements having terms of twenty-five or thirty years. Fees and charges under these agreements are computed in a manner designed to recover the cost of operating the Airport. Provisions in these agreements give the airlines the right to approve future expansion of the Airport Facilities and any issuance of new debt affecting the fees and charges to the airlines. Other provisions insure that sufficient fees and charges will be collected to meet Airport debt service requirements. In addition, the agreements provide for a distribution to the airlines of a portion of the non-airline terminal revenues.

The City has entered into a Special Facility lease agreement with US Airways Group, Inc. for land and a Special Facility. The Special Facility includes an aircraft hangar, a ground services equipment building and other facilities. The lease terminates thirty years from the date of beneficial occupancy, which was March 1987. Fees and charges under this agreement are computed in a manner designed to recover all principal, interest and expenses related to

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

bonds issued for the construction of the Special Facility, all services rendered and expenses incurred for operation and maintenance of the leased premises and a ground rental fee.

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2010:

2011	\$ 39,165
2012	39,284
2013	39,404
2014	39,525
2015	39,647
2016-2020	59,792
2021-2025	37,526
2026-2028	<u>140,808</u>
Total minimum future rental income	<u>\$ 435,151</u>

Of the \$435,151 minimum future rental income on noncancelable operating leases, \$314,512 relates to agreements with US Airways, Inc. See Note 9 for additional information related to US Airways, Inc.

Contingent rentals that may be received under certain leases based on the tenant's revenues, fuel flow or usage are not included above. Contingent rentals of approximately \$40,615 were received during the year ended June 30, 2010.

5. TRANSACTIONS WITH THE CITY OF CHARLOTTE:

Expenses include certain costs charged the Airport by other funds of the City. These charges are as follows:

Administrative and other City services	\$ 4,894
Crash, fire and rescue services	<u>3,518</u>
	<u>\$ 8,412</u>

6. PENSION PLAN AND OTHER BENEFITS:

a. North Carolina Local Governmental Employees' Retirement System (LGERS)

The Airport, as an enterprise fund of the City, contributes to the LGERS, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the North Carolina Office of the State Controller, Accounting and Financial Reporting Section, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

Plan members are required to contribute 6.0 percent of their annual covered salary. The Airport is required to contribute at an actuarially determined rate. For the Airport, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8 percent and 4.86 percent, respectively, of annual covered payroll. The contribution requirements of members and of the Airport are established and may be amended by the North Carolina General Assembly. The Airport's contributions to LGERS for the years ended June 30, 2010, 2009 and

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

2008 were \$692, \$663 and \$628, respectively. The contributions made by the Airport equaled the required contributions for each year.

b. Other Post-employment Benefits

The Airport, as an enterprise fund of the City, participates in the City of Charlotte Employee Benefit Trust Plan (EBTP), a single-employer defined benefit healthcare plan administered by the City of Charlotte. The EBTP provides health and welfare benefit plans for the benefit of eligible retired employees of the City. Section 4.05 of the Charlotte City Code assigns the authority to establish benefit provisions for EBTP to the City Council. The EBTP is included in the Comprehensive Annual Financial Report (CAFR) for the City of Charlotte. The City's CAFR includes financial statements and required supplementary information for EBTP. That report may be obtained by writing to City of Charlotte, Finance Department – Financial Reporting, Charlotte-Mecklenburg Government Center, 600 East Fourth Street, 10th Floor, Charlotte, North Carolina 28202-2848.

The contribution requirements of plan members and the City are established and may be amended by the City Council. For retired employees, the City Council set the employer contribution rate based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) of the plan over a period not to exceed thirty years. The Airport's contributions to EBTP for the year ended June 30, 2010 were \$302. Amounts previously contributed to prefund benefits are shown as a noncurrent asset on the Statement of Net Assets.

7. INSURANCE:

a. Employee Health and Life

The City provides health and life benefits to employees and retirees. Private companies administer these benefits pursuant to administrative services agreements. The City maintains insurance coverage with private carriers for life claims, vision claims, and excess coverage for health claims in excess of \$275 per year per person.

The Airport participates in the City's employee health and life insurance program which is accounted for in the Employee Health and Life Insurance Fund (EHLIF), an internal service fund, of the City. The Airport makes payments to the EHLIF for both an amount per employee and a proportionate share of the administrative cost. The amount per employee is based on actuarial estimates of amounts needed to pay prior and current year claims. The employees and retirees contribute a portion of the cost for health coverage. The City provides life insurance for employees in the amount of two times the employees' salary up to a maximum of \$100. Employees may purchase additional life insurance up to a maximum of four times their salary. The Airport made payments to the EHLIF for the year ended June 30, 2010 in the amount of \$1,557.

b. Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport participates in the risk management program of the City. The City has a Risk Management Fund (RMF), an internal service fund, to account for and finance its insured and uninsured risks of loss. Currently, insurance coverage is purchased for excess property damage for buildings and contents, excess workers' compensation, excess vehicle and general liability, property damage, and airport liability. Insurance coverage includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence, workers' compensation claims in excess of \$1,000, property damage claims in excess of \$500 and flood insurance \$100,000 in all flood zones, except \$5,000 in flood zone A in excess of federal flood program maximums. The finance officer is bonded for \$100. Employees who handle funds or have access to inventories are bonded under a blanket bond for \$250. Settled claims have not exceeded insurance coverage in the

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

past three years. The actuarially determined losses for the remaining risks and deductible amounts are funded in the RMF. The Airport makes payments to the RMF based on historical cost information or actuarial estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses. The Airport made payments to the RMF for the year ended June 30, 2010 in the amount of \$1,480.

8. COMMITMENTS AND CONTINGENCIES:

Noise litigation suits have been filed against the City in connection with the operation of the Airport. In the opinion of the City's attorney and management, the ultimate outcome of the suits is not expected to have a significant impact upon the financial position or results of operations of the Airport.

The City has filed an agreement with the Internal Revenue Service to reallocate proceeds of the September 2004 Airport Revenue Bonds. The request is under consideration but has not been finalized as of the date of this report.

The Airport has received a number of federal and state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. The City management believes that such disallowances, if any, would not be significant.

The Airport has authorized capital projects at June 30, 2010 as follows:

Project Authorization	\$ 842,783
Expended	<u>677,699</u>
Unexpended	<u>\$ 165,084</u>

The Airport has construction and other contractual commitments of approximately \$39 million at June 30, 2010.

9. MAJOR CUSTOMER:

US Airways, Inc. (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2010, US Airways and its affiliates provided 24.73 percent of the Airport's operating revenues.

US Airways conducts its passenger air carrier operations at the Airport pursuant to several agreements, the most significant of which is the City of Charlotte's 1985 Airport Agreements and Lease (Airport Agreement), which has also been executed by American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, and United Airline (collectively, the Signatory Airlines). Pursuant to the Airport Agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General Airport Revenue Bonds (GARBS) issued by the City to fund airfield and terminal improvements.

As of June 30, 2010, the City had \$601,665 of GARBS outstanding, the proceeds of which were used for airfield and terminal improvements. The GARBS are not general obligations of the City and are payable solely from revenues generated by the City in the airfield and terminal. The City has \$35,446 in reserve to pay principal and interest on GARBS.

In addition to the GARBS, the City has also issued Special Facility Revenue Bonds to finance the construction of crew training, airfield maintenance and other Airport facilities (Special Facilities) that are leased to US Airways by the City. As rental for the Special Facilities, US Airways is obligated to pay directly to the City a Ground Rental and an

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

Airport Service Fee Rental. In addition, US Airways is obligated to pay directly to a Trustee for the benefit of bondholders a facility rental (Special Facilities Debt Service Rental) in an amount equal to the annual installments of principal and interest on the Special Facility Revenue Bonds. The Special Facilities Debt Service Rental is not a general obligation of the City. If US Airways fails to pay the Special Facilities Debt Service Rentals, the City is obligated to use reasonable efforts to re-let the Special Facilities to another tenant and apply the debt service rentals from such re-letting to the payment of the principal and interest on the Special Facility Revenue Bonds. The City is not obligated to make any payments relating to the Special Facilities or the Special Facility Revenue Bonds except for such debt service rentals as it receives from the tenant of the Special Facilities. As of June 30, 2010, there was \$120,700 of Special Facility Revenue Bonds outstanding. The Special Facility Revenue Bonds provide for the semi-annual payment of interest with a lump-sum payment of principal on the maturity date of the bonds. The Special Facility Revenue Bonds mature on July 1, 2027 and February 1, 2028.

10. DEBT SERVICE COVERAGE:

The 1985 Revenue Bond Order provided that Revenues pledged under the Bond Order be sufficient to meet Revenue Bond Debt Service, current expenses, and other required deposits to funds and accounts established by the Bond Order. Net Revenues for calculation of coverage as defined by the 1985 Bond Order are determined as follows:

Revenues	
Operating revenues	\$ 109,315
Nonoperating revenues	2,403
Bond cushion	10,306
Total revenues	<u>122,024</u>
Application of revenues	<u>(52,435)</u>
Net revenues available for revenue bond debt service (1)	<u>\$ 69,589</u>
Requirement for Revenue Bond Fund (2)	<u>\$ 20,957</u>
Debt Service Coverage (1)/(2)	3.3

11. PASSENGER FACILITY CHARGES:

The Federal Aviation Administration (FAA) authorized the Airport to collect Passenger Facility Charges (PFC) of \$3 per qualifying enplaned passenger commencing November 1, 2004. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. The Airport has been authorized to collect PFC in the aggregate amount of \$875,474. Collections during fiscal year 2010 were \$48,088 and aggregate collections from inception through June 30, 2010 were \$248,345.

12. SUBSEQUENT EVENTS

On August 24, 2010, the City early extinguished \$5,790 of fixed rate Airport Special Facility Revenue Bonds, Series 2000.

On December 1, 2010, the City early extinguished \$3,670 of variable rate Airport Revenue Bonds, Series 2007B.

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ADDITIONAL INFORMATION

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CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CHANGE IN NET ASSETS - INCLUDED AND EXCLUDED CENTERS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Included Centers	Excluded Centers	Total
OPERATING REVENUES:			
Terminal area	\$ 25,260	\$ (38)	\$ 25,222
Airfield	9,128	-	9,128
Concessions	35,848	-	35,848
Parking	34,663	-	34,663
Maintenance facility	-	7,670	7,670
Other	4,416	17,460	21,876
Total operating revenues	<u>109,315</u>	<u>25,092</u>	<u>134,407</u>
OPERATING EXPENSES:			
Terminal area	38,816	97	38,913
Services facility	10,929	-	10,929
Public airfield facilities	2,519	-	2,519
Fixed base operator area	-	10,258	10,258
Cargo area	-	936	936
Depreciation	-	32,311	32,311
Total operating expenses	<u>52,264</u>	<u>43,602</u>	<u>95,866</u>
Operating income (loss)	<u>57,051</u>	<u>(18,510)</u>	<u>38,541</u>
NONOPERATING REVENUES (EXPENSES):			
Passenger facility charges	-	48,088	48,088
Contract facility charges	-	6,440	6,440
Investment earnings	2,403	4,464	6,867
Interest expense and other charges	(21,750)	(7,670)	(29,420)
Non-airline terminal revenue distribution	(11,373)	-	(11,373)
Miscellaneous	-	(432)	(432)
Total nonoperating revenues (expenses)	<u>(30,720)</u>	<u>50,890</u>	<u>20,170</u>
Income before contributions	26,331	32,380	58,711
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>34,760</u>	<u>34,760</u>
Change in net assets	<u>\$ 26,331</u>	<u>\$ 67,140</u>	<u>\$ 93,471</u>

Note: The Schedule of Change in Net Assets identifies current year activity in included centers and excluded centers. Included centers are cost centers for the Terminal complex and Public Aircraft Facilities. Excluded centers are cost centers for those areas and parts of the Airport other than included centers, primarily cargo and fixed base operators. The 1985 Revenue Bond Order established included and excluded centers. Included center revenues are used for debt service expenditures except for debt service expenditures for the Special Facilities Revenue Bonds which are retired from debt service rentals as described in Note 3 to the Financial Statements.

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FUNDS HELD BY CITY
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	1980 Reserve Account	Revenue Fund	Operating Fund	Operating Fund Reserve
Beginning balance	\$ 793	\$ 63,143	\$ -	\$ 17,113
Deposits:				
Operating revenue	-	108,586	-	-
PFC revenue	-	-	-	-
Investment earnings	7	1,095	-	-
Interfund transfers	-	800	52,594	-
Transfers from capital project	-	-	-	-
Transfers from trustee	-	620	-	-
	<u>7</u>	<u>111,101</u>	<u>52,594</u>	<u>-</u>
Total deposits				
Withdrawals:				
Operating expense	-	-	52,594	-
Interfund transfers	800	84,154	-	-
Transfers to capital project	-	-	-	-
Transfers to trustee	-	21,128	-	-
Distribution to airlines of 40 percent share of excess non-airline terminal revenue	-	-	-	-
	<u>800</u>	<u>105,282</u>	<u>52,594</u>	<u>-</u>
Total withdrawals				
Ending balance	<u>\$ -</u>	<u>\$ 68,962</u>	<u>\$ -</u>	<u>\$ 17,113</u>

<u>Renewal and Improvement Fund</u>	<u>Discretionary Fund</u>	<u>PFC Fund</u>	<u>Total</u>
\$ 1,500	\$ 46,561	\$ 122,809	\$ 251,919
-	-	-	108,586
-	-	47,586	47,586
-	2,205	2,531	5,838
-	31,560	-	84,954
-	145,687	-	145,687
-	-	-	620
-	179,452	50,117	393,271
-	-	-	52,594
-	-	-	84,954
-	14,781	-	14,781
-	29,696	20,318	71,142
-	12,624	-	12,624
-	57,101	20,318	236,095
<u>\$ 1,500</u>	<u>\$ 168,912</u>	<u>\$ 152,608</u>	<u>\$ 409,095</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 1997 REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Refunding Bond Fund</u>			<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	
Beginning balance	\$ -	\$ 3,662	\$ 6,606	\$ 10,268
Deposits:				
Transfers from City	2,968	32,058	-	35,026
Investment earnings	<u>-</u>	<u>35</u>	<u>138</u>	<u>173</u>
Total deposits	2,968	32,093	138	35,199
Withdrawals:				
Interest	2,968	-	-	2,968
Principal	-	35,604	6,481	42,085
Other debt expenditures	-	116	-	116
Transfers to City	<u>-</u>	<u>35</u>	<u>263</u>	<u>298</u>
Total withdrawals	<u>2,968</u>	<u>35,755</u>	<u>6,744</u>	<u>45,467</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1987 SPECIAL FACILITY REVENUE BOND ORDER
FOR THE 1998 REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Refunding Bond Fund</u>		
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Total</u>
Beginning balance	\$ 2,433	\$ 9	\$ 2,442
Deposits:			
Payments from US Airways Group, Inc.	4,875	23	4,898
Transfers from 2000 Special Facility Revenue Bond Fund	5	-	5
Intrafund transfers	<u>5</u>	<u>-</u>	<u>5</u>
Total deposits	4,885	23	4,908
Withdrawals:			
Interest	4,869	23	4,892
Other debt expenditures	21	-	21
Intrafund transfers	<u>-</u>	<u>5</u>	<u>5</u>
Total withdrawals	<u>4,890</u>	<u>28</u>	<u>4,918</u>
Ending balance	<u>\$ 2,428</u>	<u>\$ 4</u>	<u>\$ 2,432</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 1999B AIRPORT REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Revenue Bond Fund</u>			<u>Total</u>
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	
Beginning balance	\$ 2,136	\$ 2,075	\$ 6,380	\$ 10,591
Deposits:				
Transfers from City	2,401	1,268	-	3,669
Investment earnings	<u>1</u>	<u>20</u>	<u>-</u>	<u>21</u>
Total deposits	2,402	1,288	-	3,690
Withdrawals:				
Interest	4,168	-	-	4,168
Principal	-	2,055	-	2,055
Payment to refunding bond escrow agent	-	-	6,121	6,121
Other debt expenditures	345	9	159	513
Transfers to 2010B Refunding Bond Fund	-	1,279	-	1,279
Transfers to City	<u>25</u>	<u>20</u>	<u>100</u>	<u>145</u>
Total withdrawals	<u>4,538</u>	<u>3,363</u>	<u>6,380</u>	<u>14,281</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1987 SPECIAL FACILITY REVENUE BOND ORDER
FOR THE 2000 SPECIAL FACILITY REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Revenue	Construction Fund		Total
	Bond Fund	Improvements	Special	
	Interest	Account	Facility	
	Account	Account	Account	
Beginning balance	\$ 22	\$ 6,418	\$ 698	\$ 7,138
Deposits:				
Payments from US Airways Group, Inc.	2,772	-	-	2,772
Withdrawals:				
Construction expense	-	1,322	-	1,322
Interest	2,750	-	-	2,750
Other debt expenditures	20	-	-	20
Transfer to 1998 Refunding Bond Fund	5	-	-	5
Total withdrawals	<u>2,775</u>	<u>1,322</u>	<u>-</u>	<u>4,097</u>
Ending balance	<u>\$ 19</u>	<u>\$ 5,096</u>	<u>\$ 698</u>	<u>\$ 5,813</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2004 AIRPORT REVENUE BONDS - REVENUE BOND FUNDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Series A</u>	<u>Series B</u>	<u>Series C</u>		<u>Total</u>
	<u>Interest Account</u>	<u>Interest Account</u>	<u>Interest Account</u>	<u>Principal Account</u>	
Beginning balance	\$ 2,200	\$ 1,273	\$ 119	\$ 2,768	\$ 6,360
Deposits:					
Transfers from City	4,359	2,520	124	2,858	9,861
Investment earnings	<u>3</u>	<u>2</u>	<u>-</u>	<u>25</u>	<u>30</u>
Total deposits	4,362	2,522	124	2,883	9,891
Withdrawals:					
Interest	4,348	2,517	179	-	7,044
Principal	-	-	-	2,740	2,740
Other debt expenditures	11	3	-	3	17
Transfers to City	<u>26</u>	<u>15</u>	<u>2</u>	<u>27</u>	<u>70</u>
Total withdrawals	<u>4,385</u>	<u>2,535</u>	<u>181</u>	<u>2,770</u>	<u>9,871</u>
Ending balance	<u>\$ 2,177</u>	<u>\$ 1,260</u>	<u>\$ 62</u>	<u>\$ 2,881</u>	<u>\$ 6,380</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2004 AIRPORT REVENUE BONDS - CONSTRUCTION FUNDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Series B</u>	<u>Series D</u>	<u>Total</u>
Beginning balance	\$ 14,651	\$ 3,270	\$ 17,921
Deposits:			
Investment earnings	2	-	2
Withdrawals:			
Construction expense	<u>2,858</u>	<u>-</u>	<u>2,858</u>
Ending balance	<u>\$ 11,795</u>	<u>\$ 3,270</u>	<u>\$ 15,065</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2007 AIRPORT REVENUE BONDS - REVENUE BOND FUNDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Series A		Series B		Total
	Interest Account	Principal Account	Interest Account	Principal Account	
Beginning balance	\$ 2,335	\$ 1,754	\$ -	\$ 892	\$ 4,981
Deposits:					
Transfers from City	4,557	1,815	254	915	7,541
Investment earnings	<u>2</u>	<u>17</u>	<u>-</u>	<u>9</u>	<u>28</u>
Total deposits	4,559	1,832	254	924	7,569
Withdrawals:					
Interest	4,580	-	128	-	4,708
Principal	-	1,745	-	885	2,630
Other debt expenditures	11	-	126	-	137
Transfers to City	<u>28</u>	<u>9</u>	<u>-</u>	<u>7</u>	<u>44</u>
Total withdrawals	<u>4,619</u>	<u>1,754</u>	<u>254</u>	<u>892</u>	<u>7,519</u>
Ending balance	<u>\$ 2,275</u>	<u>\$ 1,832</u>	<u>\$ -</u>	<u>\$ 924</u>	<u>\$ 5,031</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2007 AIRPORT REVENUE BONDS - CONSTRUCTION FUNDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Series A</u>	<u>Series B</u>	<u>Total</u>
Beginning balance	\$ 38,160	\$ 1,237	\$ 39,397
Deposits:			
Investment earnings	9	-	9
Withdrawals:			
Construction expense	<u>11,589</u>	<u>1,237</u>	<u>12,826</u>
Ending balance	<u>\$ 26,580</u>	<u>\$ -</u>	<u>\$ 26,580</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2008D AIRPORT REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Refunding Bond Fund			Total
	Interest Account	Principal Account	Reserve Account	
Beginning balance	\$ 5	\$ 245	\$ 3,134	\$ 3,384
Deposits:				
Transfers from City	372	380	-	752
Investment earnings	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total deposits	372	381	-	753
Withdrawals:				
Interest	113	-	-	113
Principal	-	245	-	245
Other debt expenditures	264	-	-	264
Transfers to City	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Total withdrawals	<u>377</u>	<u>245</u>	<u>5</u>	<u>627</u>
Ending balance	<u>\$ -</u>	<u>\$ 381</u>	<u>\$ 3,129</u>	<u>\$ 3,510</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2009B AIRPORT REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Refunding Bond Fund			Total
	Interest Account	Principal Account	Reserve Account	
Beginning balance	\$ 764	\$ -	\$ 5,408	\$ 6,172
Deposits:				
Transfers from City	2,242	6,575	-	8,817
Investment earnings	<u>1</u>	<u>2</u>	<u>102</u>	<u>105</u>
Total deposits	2,243	6,577	102	8,922
Withdrawals:				
Interest	1,779	-	-	1,779
Other debt expenditures	203	-	-	203
Transfers to City	<u>2</u>	<u>-</u>	<u>56</u>	<u>58</u>
Total withdrawals	<u>1,984</u>	<u>-</u>	<u>56</u>	<u>2,040</u>
Ending balance	<u>\$ 1,023</u>	<u>\$ 6,577</u>	<u>\$ 5,454</u>	<u>\$ 13,054</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2010A AIRPORT REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Revenue Bond Fund				Total
	Interest Account	Reserve Account	Cost of Issuance Account	Construction Account	
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits:					
Bond proceeds	-	9,004	1,381	120,048	130,433
Transfers from City	2,471	-	-	-	2,471
Investment earnings	-	3	-	38	41
Total deposits	2,471	9,007	1,381	120,086	132,945
Withdrawals:					
Other debt expenditures	-	-	1,364	-	1,364
Ending balance	\$ 2,471	\$ 9,007	\$ 17	\$ 120,086	\$ 131,581

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2010B AIRPORT REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Refunding Bond Fund				Total
	Interest Account	Principal Account	Reserve Account	Cost of Issuance Account	
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits:					
Bond proceeds	-	-	5,752	156	5,908
Transfers from City	1,220	1,490	-	-	2,710
Transfers from 1999B Revenue Bond Fund	-	1,279	-	-	1,279
Investment earnings	-	2	1	-	3
Total deposits	1,220	2,771	5,753	156	9,900
Withdrawals:					
Other debt expenditures	-	-	-	148	148
Ending balance	\$ 1,220	\$ 2,771	\$ 5,753	\$ 8	\$ 9,752

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2010C AIRPORT REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Revenue Bond Fund					Total
	Interest Account	Principal Account	Reserve Account	Cost of Issuance Account	Construction Account	
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits:						
Bond proceeds	-	-	1,861	349	28,934	31,144
Transfers from City	70	225	-	-	-	295
Investment earnings	-	-	-	-	9	9
Total deposits	70	225	1,861	349	28,943	31,448
Withdrawals:						
Interest	24	-	-	-	-	24
Other debt expenditures	46	-	-	336	-	382
Total withdrawals	70	-	-	336	-	406
Ending balance	\$ -	\$ 225	\$ 1,861	\$ 13	\$ 28,943	\$ 31,042

**CITY OF CHARLOTTE AIRPORT
CERTIFICATION OF DIRECTOR OF FINANCE
FOR THE YEAR ENDED JUNE 30, 2010**

1. As of June 30, 2010 none of the covenants or agreements contained in the 1985 Revenue Bond Order or the 1987 Special Facility Revenue Bond Order were violated.
2. During the period July 1, 2009 to June 30, 2010 no default, as defined in the 1985 Revenue Bond Order or the 1987 Special Facility Revenue Bond Order, occurred.



Greg C. Gaskins
Director of Finance

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